PRICES ON A GOLD BASIS.

The Last Act in the Monetary Revolution Begun in 1873 and Its Results—Cause of the Decline in Value of Farm Products.

BY GEN. A. J. WARNER.

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To the Editor of The Sun.

SIR: The first act in the monetary revolution that is fast transferring the wealth of the world to few hands, was the demonetization of silver in 1873; the last and culminating acts are those of 1893, shutting off supply of money for all India and the United States from silver.

Under the first act the value of the money standard had been well nigh doubled, and property halved, to the great gain of those whose holdings are in money or bonds or other forms of debt that call always for the same number of dollars, regardless of their value, and to those receiving fixed salaries.

But great as has been the change in the relation of money to other forms of wealth, and especially to the products of land and labor, the consummation of the original conspiracy, by the closing of the mints of India and the repeal of the Silver Purchase law in the United States, is the beginning of a greater and more rapid change over the world than that which followed the act of 1873.

This may be considered unneccessarily alarming, but let us look the situation squarely in the face.

By the coinage laws passed in 1873 by the United States and Germany, and by the subsequent acts of the States of the Latin Union in closing their mints, the free coinage of silver was discontinued in Europe and the United States, while Germany, Italy, Spain, Holland, Norway and Sweden adopted the gold standard. But several of these States have never been able to retain much gold, and have been obliged to resort largely to paper for their home circulation. France continued in circulation her store of coined silver, while the United States before resuming specie payments, provided for an annual supply of silver money, presumed to be somewhere nearly commensurate with the increase of population. This supply, derived from the purchase and coinage of silver on Government account, was materially increased by the act of 1890. India during this period of twenty years, as for centuries before, kept her mints open to all comers to have silver coined into rupees at the ratio of 15 to 1, and from this source derived her annual supply of money.

But now comes the culminating act in the greatest conspiracy ever conceived, a conspiracy that took satanic genius to devise, a conspiracy to get possession of the world's wealth by the stealthy method of changing the money standard, the world's pricing instrument, from gold and silver to gold only.

The order in council closing the mints of India and the repeal of the Silver Purchase law of the United States not only shut off money supply for all India and the United States from silver mines, about $40,000,000 annually for each, but, at the same time, added these countries to those theretofore competing for gold. In the same year Austria-Hungary, under the domination of the same money power, decreed the gold standard. Thus in a single year more than 350,000,000 of people were changed from one side of the scale to the other, and made competitors with gold-standard countries for gold for money supply.

This was a far greater change than that of 1873. Indeed, no such change in the monetary condition of the world in so short a time ever took place before in all its history.

The prophecy of Mr. Alfred de Rothschild at the Brussels Conference was but a logical deduction from well-understood economic conditions. Although strongly advocating the gold standard for England, he said:

"If this Conference were to break up without arriving at any definite result there would be a depreciation in the value of that commodity which it would be frightful to contemplate and out of which a monetary panic would ensue, the far-spreading effects of which it would be impossible to foretell."

Already has this prediction begun to be verified, and the end is not yet.

II.

Let us stop to review first the fall of prices from 1873 to 1893, and its effects upon property and the various industries.

We have not room to repeat long tables, nor is it necessary. Evidence is abundant, however, to prove that the general average of prices of staple commodities has fallen from 45 to 50 per cent. since 1873. The same is true of property generally, except where special causes have operated to counteract the general downward tendency.

The effect was felt first in the prices of agricultural products and then in farm lands and farm labor. In fact, the decline fell first on unorganized industries and the products of unorganized labor. There was less resistance in these industries, and they gave way first.

Industries operating under the control or under the influence of organized labor offered stubborn resistance to a reduction in prices, and especially to a reduction in wages. And in large measure the rate of wages has been kept up in organized and protected industries, but duration of employment and total earnings, even in those industries, have materially decreased, as profits have decreased. This condition of things has led to combinations of capital in the form of trusts and combines of various kinds to uphold prices and increase profits. But in the great department of agriculture, embracing 45 per cent. of the entire population, and giving support primarily to all, this has been impossible, and hence this greatest of all the industries began to suffer first, and has thus far suffered most.

A few facts will illustrate the effect of this condition on agriculture. Take first the leading staples, wheat, cotton, corn, oats and hay. The average value of an acre's product of these crops in 1873 was $15.65 ; in 1893, for the same quantity of products, $8.15, a fall of nearly 48 per cent.

If we take wheat alone, the fall has been from $13.16 to $6 per acre, or over 54 per cent.; and if we take cotton, the fall has been greater still, or from $28.01 to $10.65, or a decline in the value of an acre's product, the quantity being the same as for 1873, of 62 per cent. The average acre value of the crops of 1873 was 85 per cent. greater than in 1893. Nor can this be accounted for by an increase in crops, either for this country or for the world.

The estimated wheat crop of the world for 1891 was 2,432,000,000 bushels ; for 1892, 2,403,000,090 bushels ; for 1893, 1,904,000,000 bushels. But with a reduced supply the Liverpool price has gone down from $1.15 in 1891 to .773 a bushel in 1893, a short crop and the lowest price for over a hundred years. The wheat crop of the United States is placed at 396,000,000 bushels for 1893, as against 516,000,000 for 1892.

The cotton crop for this country for 1892 was 6,717,000 bales; for 1893, 6,600,000 bales. At the same time the price has gone down from 8.4 cents a pound in 1892 to 6.89 cents for 1893. And altogether, if the farm products of this year could be sold at the prices prevailing in 1873, they would bring the farmers nearly $1,500,000,000 more than at the prices prevailing this year. This would make a big difference in the debt paying power of farmers.

It is idle to claim that any considerable part of this fall in the prices of agricultural products is due to cheaper methods of production, or to improved machinery. The truth is, nearly all the improvements in farming implements date back beyond the period under consideration. Almost the only exception is in the improved self-binder for harvesting. So, too, most of the great railway lines were completed before, or in the early part of the period embraced between 1873 and 1893.

Perhaps nothing affords a better test of the change in the value of farm products than milch cows. Instead of an increase relatively to population, there has been a decided decrease, and at the same time a fall of 50 per cent. in the selling price of these animals.

As a rule, farms have gone down with the fall in the prices of farm products. Exceptions to this rule no doubt exist in some of the newer States, where fertile soils have been more recently brought under cultivation. But so great has the depreciation of farms become in many of the older States that what to do with them has become a serious question.

The important question is, What is the cause of this fall in prices? Does it arise from a change in the relation of supply to demand or from changed conditions of production? No!. Certainly not 5 per cent. of the fall is due to such causes.

It is due to a change in the money standard—in the pricing instrument. In other words, the change is in the money and not in the commodities. The change, however, has come in such disguise that it seems not to have been apparent to many, and, besides, every effort has been made by those interested, and by the public press, especially the great dailies of the East, to obscure the facts. But it is none the less true and none the less diabolical.

III.

The effect of the progressive decline in the value of farm products is gradually, but surely, changing our whole agricultural system. In the first place, those who, since the war, bought farms and went in debt for them, or who in part inherited farms and encumbered themselves by undertaking to buy off other heirs, as a rule have lost them or must lose them.

While it may have been possible in good years to have got something ahead, in bad years, or if misfortune overtakes them—and some time or other misfortune comes to most people—they fall back and are seldom able to catch up again; especially has this been true for the last ten years.

Again, while a farmer, during the time when his boys are with him and all work on the farm, may get ahead enough to clear his farm of debt and improve it, when he comes to try to make farming pay by hiring help he is sure to fail, and must give up his farm and live the best he can by renting it.

As soon as farmers get behind, the usurer always appears on the scene ready to take advantage of his misfortune, and a mortgage on the farm or on the crop follows; and with falling prices, or, which is the same thing, with money itself, besides drawing interest, appreciating in value, he seldom gets out from under this load. In this way sweeping changes have taken place in the ownership of lands, particularly in the South and West, and the same process is becoming manifest in Ohio, Indiana, and others among the most productive States.

A most lamentable consequence of this condition is the inability of the people to maintain the former standard of education, and the common schools are made to suffer from the impoverishment of the people. Nor is this condition confined to the farming districts, but is, perhaps, already quite as seriously felt in some of our large cities, where the children of the poorer classes are no longer sufficiently well fed and clothed to be able to attend schools. Thus the system is impaired, if not endangered, by the inability of the people to support such facilities as are required by the higher standard of education that has been reached.

But my purpose is rather to show the necessary effect of the constant fall of prices on the great agricultural class, and to show that the necessary effect of the present condition of things is to change our whole system of agriculture from small farm holdings to tenant farming. The same processes are at work here as in Russia and Ireland, and if allowed to go on long enough, and it will not take very long either, the farming class in this country will pass into the condition of the liberated serfs of Russia or the tenant farmers of Ireland. It is only necessary to continue to increase the value of the money unit, by which debts and taxes must be paid; in other

words, to continue the conditions which will force prices down, down continually, while debts and taxes remain the same, and the result must be as here pointed out.

And as this condition prevails, independence is lost, and when the independence of the great agricultural class is lost, all is lost.

IV.

But, although the disastrous effects of a disturbance in the money standard fall first on unorganized industries, and especially on the agricultural class, it does not stop there. The secondary effect is scarcely less serious, as will be seen further on. Better profits on capital and higher wages for labor in those industries where organization and the regulation of production tend to keep prices up, draw labor and capital to such industries. Between 1870 and 1890 the population of cities and towns has increased from 48 per cent. of the whole to 55 per cent., and the country has lost in the same proportion.

But the transfer of population from the country to cities must stop at some point. This point has doubtless been already reached.

In the first place, as has been shown by the fall in the prices of agricultural products, the purchasing power of the farming class has been cut down by at least one-half. And, even if prices of the things he would buy had come down in the same proportion in which his own products have fallen, he still has little left to buy with, after paying debts and taxes. His real purchasing power is his surplus after living and paying what he must pay. Hence, with this enormous falling off in the capacity of 30,000,000 of people, devoted to agriculture, to buy a seeming surplus of manufactured products accumulates, industries stop, laborers are unemployed, and trade is restricted. That is the condition now.

The plain meaning of all this is that 38,000,000 of people cannot long continue to get high wages and reap large profits by selling their surplus products to 30,000,000 of people who have to take low wages and make no profits. In other words, there must be, and

there will be, a levelling down in these industries ; the levelling will be *down* and not *up*, because under present conditions, all things tend downward. There is no law in economic science better settled than that capital will flow, and labor will go, from industries where profits and wages are low to industries where profits and labor are higher, until an equilibrium is reached.

No tariff and no organizations of labor and no combinations of capital can permanently prevent the operation of this law as long as trade is free within our own borders.

Therefore the products of labor in organized industries must, in the end, come down to the level of the products of labor in other industries, and capital must in the end, also, accept as low profits. And if the products of labor fall, wages of labor must come down also.

Nor is this the end of the levelling down process that must go on under existing conditions.

As prices fall and labor comes down and profits are reduced, rents must come down also ; and as rents in cities come down, the value of business blocks and other real estate in cities must likewise come down. This class of property has already gone down in many cities, but it must go down generally, and will go down.

When an improved farm of 100 acres will not rent for $200, we may be sure that 15x20 rooms in fourteen-story buildings will not long rent for $200, either. Rents, in the long run, like interest, depend on profits ; and as prices fall and profits and wages go down, rents must go down ; and as rents go down he value of buildings goes down. The same is true of railroads; as everything else goes down, rates must go down and earnings grow less.

But buildings in the cities, like farms in the country, are largely mortgaged, and as farmers who are in debt lose their farms when the value of their products go below living profits, so owners of buildings in cities, when their rents are cut off, cannot meet interest and their property goes. The process may be somewhat different in the case of real estate in cities from that of farms, but the end is the same.

Nor does the reaction end here; real estate in the cities in late years has been mortgaged largely to insurance and trust companies and savings banks. When this class of property falls below the mortgage line the security becomes impaired. How near the margin of safety some of our life insurance companies and savings banks may now be may not be known. A year or two ago they were insisting upon none but the "best" dollar for their customers, by which, of course, they meant the dearest dollar. The time may come, and may be near at hand, when they will conclude that an equitable dollar is, after all, the most desirable one, all things considered.

How far we have already advanced on the road indicated is not so important as the certainty that, under the single gold standard, with the United States, all Europe and now all India, joining in the scramble for gold, its appreciation must henceforth, under these influences, go on faster than ever, and as gold rises in value prices must go the other way.

In this levelling process, passing from unorganized to organized industries, from farms to city real estate and railroads, who are the gainers? Two classes only. They who draw fixed salaries and they whose wealth is in money, and in evidences of debt that call for the same number of dollars, regardless of their value, and which in the end rest on the power of taxation, with armies, if need be, behind that. These two classes, and these two alone, at last are the gainers by the policy now being pursued. Every other form of wealth must partake in greater or less degree in the fall which must follow the certain appreciation of gold.

Is everything in the end to be swept into the coffers of those who know no country and no interests but their own? Are all races to be made bondsmen to one! Such a money power never before existed as that which devised and is now carrying out this nefarious scheme to plunder the world.

WASHINGTON, Jan. 10, 1894.

GOING TO A GOLD BASIS.

How the Process will Affect the United States.

By Gen. A. J. Warner, President American Bimetallic League

From the New York Sun of February 5th, 1894.

As strong a thinker as Ricardo said that going to a gold basis in England, after the Napoleonic wars, was only a matter of three per cent. difference between Bank of England notes and gold. He lived long enough, however, to discover and acknowledge his mistake. He did not take into account the change that must take place in the value of gold itself, consequent upon the competition for gold that would follow the resumption of specie payments by England and other countries that had displaced gold by the issue of inconvertible paper. The three per cent. difference proved to be insignificant as compared with the change that took place in the value of gold itself.

So now it is generally assumed that already we are on a gold basis; that the money standard is settled at last for Europe and the United States, at any rate, and that as soon as confidence is restored prices will become settled and business be established on a sure foundation. But are we sure that the "gold basis" under the conditions that exist now, is any surer than it was in 1816?

As during the resumption period following the Napoleonic wars, the competition for gold and its redistribution over Europe changed the level of gold the world over; in like manner will not the new competition for gold, consequent upon the exclusion of silver from

money supply for India and the United States and the extension of the single gold standard to Austria-Hungary, change the gold level to as great an extent as the change in the early part of the century, or as that which resulted from the act of 1873? The extent of the appreciation of gold under these new conditions cannot be foretold; but the changes made in the monetary situation during 1893 have been the greatest in the world's history, and have added more than 350,000,000 of people to the number theretofore competing for gold for money supply, which cannot otherwise than materially affect the value of gold the world over.

II.

But whatever may be the effect of this change on gold, one fact may as well be accepted first as last, for it cannot be escaped; that is, if gold is made the pricing instrument, the results of this measurement must be accepted. In other words, we cannot have the single gold standard and at the same time maintain a range of prices inconsistent with this standard. The idea that we can have a gold standard and then, by tariffs, or by selling bonds, or by issuing more currency, or by expanding bank credits, maintain a range of prices inconsistent with the standard itself, might as well be given up first as last, for it must be given up.

Many people, and among them not a few bankers, seem to think that if we have a gold standard it makes little difference about the quantity of gold there is in a country or in the world. It is quality and not quantity, they say, that concerns us. In the minds of such people a single lump of gold, weighed, marked, and kept, like the pound weight, in the archives of the Government, is all that is required. The rest may be credit or anything. But when the Baring failure threatened the reserves of the Bank of England there was no question about the quality of its gold or its other money; it was quantity that was wanted. It was sovereigns, or what would make sovereigns, that the bank must have, and the Bank of France was accordingly appealed to, not to make good any defect in the quality of the gold or of the money on the British side of the Channel, but

to supply pounds sterling. Indeed, one might as well expect to sail a ship on faith, only touching the water now and then, as to expect to conduct the vast business of the world on "confidence," referring only now and then to gold as a standard of value. A vessel may ride for a moment on the crest of a wave or sink into the trough, but it can safely rest only on the level sea. So business may be temporarily supported by "confidence" and prices be lifted up on the high waves of credit, but settlement day will come, and when it comes the tumble begins and ends only at the price level of gold. We cannot ride always on the crests of credit waves.

If, therefore, we decide to go to a gold basis, we must go there, and as gold grows dearer as the result of increased demand for it, prices must go in the opposite direction; and all attempts by legislation or by devices of any kind to maintain a range of prices above the level of gold must in the end prove futile. We might as well propose to increase the size of the bushel measure, and at the same time expect our wheat crop to show just as many bushels, or to declare that an hour shall hereafter contain 120 minutes of 60 seconds each but that there shall still be twenty-four hours in a day.

The sooner, then, it is understood that with the single standard of gold it is impossible to have a large volume of currency, expanded bank credits, and a high range of prices, all at the level of gold, the better it will be for all interests. These conditions do not belong together and they will not stand together. If with the bimetallic standard a given volume of paper currency, with a proportionate expansion of bank credits, and a corresponding range of prices, follow in due relation, it ought to be apparent to any one that with the single standard of gold the currency, the bank credits and prices must all be correspondingly reduced. Some relation there must certainly be between standard money, money of final redemption, and other forms of currency and credit. The order is this: With the gold standard, less currency, more restricted bank credits, lower prices. With the bimetallic standard, a larger volume of currency, more expanded bank credits, and a higher range of prices; and any

attempt to maintain a large volume of currency, extended bank credits, high wages, and a high range of prices with gold as the single standard must end in failure and disaster. As well expect to make smaller the bushel measure and have it hold more at the same time. Legislation is utterly ineffectual to change this law.

III.

The only way, therefore, to maintain the gold standard and keep gold in this country is to reduce the volume of currency, reduce bank credits, and bring down prices and wages. The attempt to maintain the gold standard by selling bonds and buying gold, with the expectation of keeping in that way a larger volume of gold permanently here, is utter folly; and any one who believes the gold standard can be maintained in that way is unfit to have charge of the finances of the country. There is, I repeat, absolutely but one way to keep gold here or to maintain the gold standard, and that is to cut down prices to fit the standard, or, in other words, accept the results of gold as the pricing instrument. We may temporarily borrow gold, but we cannot buy gold and keep it as ours except by paying for it as dearly with our commodities as other countries pay.

Do we shrink from the consequences of this policy, or ask where labor will go, or where property will go, or where the debtor will stand, or what will be the consequences to mortgaged property, or to insurance and trust companies that depend on this class of securities? The answer is, the time to think of these things is before it is determined to go to the gold basis. All I am saying is that we cannot at once go there and at the same time stay away. We cannot make gold alone the pricing instrument, and at the same time, by legislation or legerdemain, by credit bubbles, by tariffs, or by confidence in something impossible, maintain a range of prices inconsistent with that standard.

IV.

Will all countries suffer alike in the process of readjustment of things to the altered monetary conditions? Not necessarily; the

situation of all countries is not the same. Prices will fall in gold standard countries and industries will suffer in all such countries, but all nations will not suffer in the same degree. Debtor nations will suffer most. Indeed, it is a question whether any debtor nation can permanently maintain the single gold standard. It is very certain that only the strongest commercially can do so. Weaker nations like Spain, Portugal, and Italy have already found it impossible to maintain a gold currency or even the gold standard in their home circulation. The trial of the United States is to come. We certainly cannot maintain the single gold standard by going into debt for the gold.

The relative conditions of the United States and England, as nations, in the matter of maintaining the gold standard may be seen in the one fact that the income of England from interest on investments in other countries is not less than $500,000,000 annually, and is probably more. This is more than the equivalent of the value of the entire wheat crop and cotton crop of the United States for 1893. That is, if, instead of her interests abroad, England had handed over to her our entire wheat and cotton crops she would be no better off than she is now with her foreign investments.

On the other hand, the United States is required to pay, on her debt to England, interest equal to more than the value of our entire cotton crop. Are these two countries, then, as nations, equally interested in maintaining the gold standard? And yet, to our shame, we subject our financial policy to the dictation of foreign interests.

WASHINGTON, Feb. 3, 1894.

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